

From: Jerry Allen

Assembly Committee on Urban and Local Affairs
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Testimony on Assembly Bill 542

An Act to create 62.63 (5) of the statutes; relating to treatment of abandoned employee retirement accounts under a retirement system of a 1st class city.

Our thanks to the sponsors of this bill; and thank you to the Chairman and members of this committee for the opportunity to provide testimony on this piece of legislation today.

Stated simply, this bill will allow the Employees' Retirement System (ERS) of the City of Milwaukee to retain any unclaimed retirement benefits for the benefit of the systems members and their beneficiaries.

The ERS was created by an act of the Wisconsin Legislature in 1937 to provide retirement-related benefits for members and their beneficiaries. The retirement system includes the City of Milwaukee, non-certified staff of Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, the Wisconsin Center District and the Housing and Redevelopment Authorities of the City of Milwaukee.

The ERS currently has 27,000 members. 12,000 are active employees, 11,000 are retirees, and approximately 4,000 are former employees who are members of the fund, but are deferred beneficiaries of the system.

The funds of the ERS stood at \$3.9 billion dollars at year-end. Regular payroll contributions for 2009 were approximately \$26 million and retiree payments were approximately \$242 million. The difference between payroll contributions and retiree payments was made up from investment income generated by the assets of our trust.

The ERS has been rated as one of the best funded public pension systems in the country for the past several years by RV Kuhns & Associates. Over the last 10 years, the ERS significantly exceeded its investment benchmark returns and has rebounded well from the 2008 market collapse. Returns for 2009 were approximately 23.75%.

Due to the market collapse at the end of 2008, and as determined by the ERS actuary, an additional contribution due from the city agencies for 2009 is approximately \$60 million.

Every dollar the ERS retains in its trust fund generates investment income, which helps to pay retiree benefits, and to offset any contribution due.

The unclaimed retirement benefits, which are deemed abandoned property, represent the death benefits payable to the beneficiaries of our members, whether they are active, retired or deferred. Those beneficiaries normally seek out the ERS to make their claims.

For the past four years, the amounts escheated to the State of Wisconsin were as follows:

Year	#of Members	Amount
2006	117	29,730.95
2007	70	22,398.49
2008	72	16,882.39
2009	128	32,017.54

The ERS would keep its current practices in place for determining abandoned property, and would keep on file those names and dollar amounts to be made available if and when a claim is made.

Our practices include performing due diligence in contacting all known relatives and beneficiaries. We use service providers who conduct reviews of many national databases in order to find beneficiaries (social security, motor vehicles, etc). In some cases, beneficiaries are not located which results in an unclaimed benefit. Those amounts are currently retained for one full year after the last notification attempt, and then are escheated to the State of Wisconsin.

In summary this bill accomplishes three things:

1. Keeps assets in the trust to generate investment income, which helps the trust to remain solvent.
2. Has the potential to reduce future required contributions as determined by the annual actuarial valuation.
3. Allows the ERS to continue to be the one place members may locate funds they are entitled to.

Additionally, this bill will allow the ERS to follow a similar practice currently in place with the Wisconsin Retirement System.

Thank you for your consideration.